The Washington Merry-Go-Round

McCone Holdings Suggest Conflict

By Drew Pearson

Some of the Democrats who shouted loudly and continuously about conflicts of interest in the Eisenhower Administration are now loath to talk about possible conflicts in the Kennedy Administration — especially the dubious position of John A. McCone, new chief of Central Intelligence.


Pearson

This column was one which helped expose some of the conflicts among Eisenhower officials, therefore feels obligated to do the same with Democrats.

One of McCone's most important investments is in Standard Oil of California and Standard Oil of New Jersey. He has been a director of the former, and its report to stockholders as of Aug. 1, 1961, lists him as owning 18,318 shares, on top of which he received a stock dividend of 915 shares, which, at the current value of $53.50, gives the new CIA chief an investment of $1,028,965.50 in Standard of California.

This makes him the second biggest stockholder in a company whose profits and future are materially influenced by Central Intelligence.

McCone, when up for confirmation to past Government posts, has declined to sell his stock in these oil companies but put them in a trust. Secretaries of Defense Charley Wilson and Robert McNamara would have been delighted to put their stock in General Motors and Ford in trust, but were not permitted to do so.

Effects on Israel

It happens that Standard of California and Standard of New Jersey control the Arabian American Oil Co., which operates perhaps the most fabulous oil concession in the world, with reserves estimated to last around 100 years.

It also happens that the Near East is a field where Central Intelligence has played an all-powerful role and usually swung its weight against Israel, the only democratic country in that area. The CIA has probably influenced policy more than the State Department, and it has nearly always sided with the oil companies.

Here are some illustrations of how events have been influenced in the Near East:

Illustration No. 1—In 1952, CIA maneuvered an Egyptian revolt that kicked out King Farouk and substituted the Naguib-Nasser rule. This may or may not have been a good thing, but there is no question but that the coup was organized by CIA, that it led to the strengthening of Egypt in the Arab world.

Illustration No. 2 — When John Foster Dulles sent George Allen, then Assistant Secretary of State, with a special message to President Nasser, it was the Central Intelligence director for the Near East, Kim Roosevelt, who told Nasser to ignore the Dulles message.

Illustration No. 3 — During the Suez war of 1956, it was Central Intelligence which sent in the reports that guided President Eisenhower in making his decisions. These reports may have been completely conscientious and accurate. But they ought not to be made by a director who has heavy investments in the major American oil companies affected by the Suez war.

Illustration No. 4—Just prior to the Suez war, Nasser put the bite on the Arabian-American Oil Co., through his friend King Saud of Saudi Arabia, to collect $200 million of advance oil royalties. This was used, directly, to purchase the huge arsenal of Czech arms which Egypt amassed on Israel's border prior to the Suez war. It was this build-up of arms that touched off the war.

Profits vs. Strategy

Illustration No. 5—During the Suez war, Syria served an ultimatum that it would cut the pipelines crossing her territory if any American oil were sold to the French and British. The United States promptly curtailed all oil shipments to the French and British. The CIA Director, who must necessarily participate in such a decision, should not be a heavy stockholder in oil companies that are affected.

Illustration No. 6—During the first three months of 1957, immediately following the Suez crisis, Standard of New Jersey raked in the huge income of $237,000,000—16 per cent more than in the same period of the previous year. In the same period, California jumped its profits 13 per cent. This resulted directly from the Suez crisis and a resultant boost in the price of oil. The man who heads CIA, even though he leans over backward to be impartial in his judgments, should not be a big stockholder in companies likely to profit from his decisions.

Illustration No. 7—It was CIA which secretly organized the political maneuver which kicked Premier Mossadegh out of Iran. He had seized the Anglo-Iranian oil refinery. Anglo-Iranian is a competitor of Aramco. The head of CIA, with oil stock, should not be in a position where he has to undertake operations for or against competitors of the companies in which he has an interest.

Illustration No. 8—The oil rich sheikdom of Kuwait right now is in throes of trouble with oil-rich Iraq. Britain gets most of its oil from Kuwait. Some of Kuwait's oil also goes to Sun Oil, Union Oil, and Gulf—all competitors of Standard of New Jersey and Standard of California in which McCone holds heavy interest.

Again, a CIA director, no matter how conscientious, should not be a man who directly or indirectly must handle operations which could affect his own companies or his competitors.

NOTE—McCone's wholly owned Joshua Hendy shipping line with his partner, States Marine (which got the prize atomic merchant ship Savannah contract when McCone was atomic chairman), got $2 million in charter hire contracts from Standard of California in 1960 and they have continued to do a profitable business with it since.